

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Beulah Public Library	County Benzie
Fiscal Year End 6/30/06	Opinion Date 4/4/07	Date Audit Report Submitted to State 7/25/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) J L Stephan Co, PC		Telephone Number (231) 941-7600	
Street Address 862 E. Eighth St.		City Traverse City	State MI
Zip 49686			
Authorizing CPA Signature 	Printed Name Jerry L. Stephan	License Number 1101010359	

BEULAH PUBLIC LIBRARY

Benzie County, Michigan

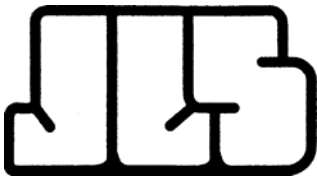
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

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FINANCIAL SECTION



J L Stephan Co PC

Certified Public Accountants

Jerry L. Stephan, CPA

Marty K. Szasz-Busby, CPA
David Skibowski, Jr., CPA
Christopher H. Cornell, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Beulah Public Library
PO Box 469
Beulah, MI 49617

We have audited the accompanying financial statements of the governmental activities of Beulah Public Library as of and for the year ended June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Library as of June 30, 2006 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The budgetary comparison information on page 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

J. L. Stephan Co. P.C.

April 4, 2007

Beulah Public Library
Governmental Funds Balance Sheet/Statement of Net Assets
Modified Cash Basis
June 30, 2006

Exhibit A

	General Fund Modified Cash Basis	Adjustments	Statement of Net Assets
Assets			
Cash in Bank	\$ 13,747	\$ -	\$ 13,747
Certificates of Deposit	133,976	-	133,976
Cash On Hand	150	-	150
Due From State	146	-	146
General Fixed Assets	-	-	-
<i>Total Assets</i>	<u>\$ 148,019</u>	<u>\$ -</u>	<u>\$ 148,019</u>
Liabilities			
Accrued Wages	\$ 1,786	\$ -	\$ 1,786
Accrued Taxes Payable	2,110	-	2,110
<i>Total Liabilities</i>	<u>3,896</u>	<u>-</u>	<u>3,896</u>
Fund Balance/Net Assets			
Fund Balance - Reserved - GTB Grant	50,052	(50,052)	-
Fund Balance - Undesignated	10,147	(10,147)	-
Fund Balance - Designated for Building	83,924	(83,924)	-
<i>Total Fund Equity</i>	<u>144,123</u>	<u>(144,123)</u>	<u>-</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 148,019</u>		
Net Assets			
Invested in Capital Assets - Net of Debt		-	-
Unrestricted		94,071	94,071
Restricted		50,052	50,052
<i>Total Net Assets</i>		<u>\$ -</u>	<u>\$ 144,123</u>

See Accompanying Notes to Financial Statements

Beulah Public Library

Exhibit B

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities For the Year Ended June 30, 2006

	<i>General Fund</i>		<i>Statement</i>
	<i>Modified</i>	<i>Adjustments</i>	<i>of Activities</i>
	<i>Cash Basis</i>		
Revenues			
Property Tax	\$ 18,068	\$ -	\$ 18,068
State Aid	290		290
Local Unit Contributions	-	-	-
County Penal Fines	24,619	-	24,619
Townships	6,000	-	6,000
Book Fines	1,252	-	1,252
Interest Earned	2,495	-	2,495
Contributions - GTB Grant	50,000	-	50,000
Gifts & Memorials	245	-	245
Miscellaneous	52	-	52
<i>Total Revenue</i>	103,021	-	103,021
Expenditures			
Wages & Taxes	25,997	-	25,997
Supplies	892	-	892
Books & Magazines	11,607	-	11,607
Dues & Miscellaneous	900	-	900
Computer Services	1,976	-	1,976
Accounting	200	-	200
Education	100	-	100
Insurance	736	-	736
Postage	70	-	70
Telephone & Internet	957	-	957
Heat & Maintenance	1,216	-	1,216
Bank Charges	10	-	10
Capital Outlay	-	-	-
Project Expenses	66	-	66
Depreciation	-	200	200
<i>Total Expenditures</i>	44,727	200	44,927
<i>Excess Revenues Over</i>			
<i>(Under) Expenditures</i>	58,294	(200)	58,094
Fund Balance - Beginning of Year	85,829	200	86,029
Fund Balance - End of Year	<u>\$ 144,123</u>	<u>\$ -</u>	<u>\$ 144,123</u>

See Accompanying Notes to Financial Statements

Beulah Public Library
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The financial statements of Beulah Public Library have been prepared in conformity with the modified cash basis of accounting as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

A. Reporting Entity

Beulah Public Library is a public library located in the Village of Beulah. Library operations are conducted in a building owned by the Village of Beulah. The State Library has determined that the Beulah Public Library serves 1/3 of Benzonia Township, 50% of Homestead Township, and 100% of Lake Township. The library is governed by a volunteer library board whose members are elected to three-year terms by the Library Board.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability.

The library operates as an autonomous agency completely separate from the Village of Beulah. On this basis, accordingly, the financial statements of the Library have not been included in the financial statements of any other organizations.

B. Basic Financial Statements – Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Expenses are those that are clearly identifiable with a specific function or segment. Revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Separate financial statements are provided for governmental funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Beulah Public Library
Notes to Financial Statements
June 30, 2006

Note 1 – Summary of Significant Accounting Policies – continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The local unit reports the following major governmental fund:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from penal fines, state distributions, and contributions from other local governmental units.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits and certificates of deposit.

Capital/Fixed Assets – Capital assets represent the fixed assets of the local unit utilized in its general operations (non-proprietary fixed assets). Fixed Assets are recorded at historical cost. Donated fixed assets are required to be valued at the fair market value as of the date received.

In accordance with GASB 34, depreciation has been provided on the fixed assets. Depreciation is computed over the estimated useful lives of the asset. Estimates useful lives are generally five years for furniture and equipment.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Beulah Public Library
Notes to Financial Statements
June 30, 2006

Note 2 – Stewardship, Compliance and Accountability

A. Budgets

The General Fund is under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the library.

In the body of the combined financial statements, the library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line-item basis. The budget resolution of the library did not specify the level adopted at, but is treated as being adopted at the line item level.

B. Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall adopt an annual budget and not incur expenditures in excess of the amount appropriated. The library did not specify the expenditure level at which the budget was adopted. Accordingly, actual expenditures exceeded budgeted amounts for the following line items:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Wages & Taxes	\$ 25,000	\$ 25,997	\$ (497)
Dues & Miscellaneous	315	900	(585)
Accounting	50	200	(150)
Education	-	100	(100)
Insurance	715	736	(21)
Telephone & Internet Charges	850	957	(107)

C. Investment Policy

P.A. Act 196 of 1997 requires local units to adopt an investment policy and provide a copy of this policy to all financial institutions used by the unit. The Library Board has not adopted an investment policy.

D. Chart of Accounts

The Library has not implemented the State's Uniform Chart of Accounts in its accounting system in accordance with PA 2 of 1968

Note 3 - Deposits with Financial Institutions

A. Legal or Contractual Provisions for Deposits and Investments

This law authorizes the library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements' bankers' acceptance of the United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Beulah Public Library
Notes to Financial Statements
June 30, 2006

Note 3 - Deposits with Financial Institutions - continued

The Library has designated one bank for the deposit of its funds. Although the Library has not adopted an investment policy, bank deposits appear to be in compliance as outlined above.

B. Types of Deposits and Investments

At year-end, the Local Unit's cash deposits and cash equivalents were reported in the basic financial statements in the following categories:

	<i>Governmental Activities</i>
Cash and Equivalents	\$ 147,723
Investments	-
Restricted Assets	<u>-</u>
Total Deposits	<u>\$ 147,723</u>

The breakdown between deposits and investments is as follows:

	<i>Governmental Activities</i>
Time & Demand Deposits	\$ 147,723
Investments	-
Cash on Hand	<u>150</u>
Total	<u>\$ 147,873</u>

The bank balance of the primary government's deposits is \$147,723 of which \$100,602 is covered by federal depository insurance.

Note 4 - Changes in Capital Assets

Capital asset activity of the primary government for the current year is summarized as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
Equipment	\$ 21,372	\$ -	\$ -	\$ 21,372
Accumulated Depreciation	<u>(21,172)</u>	<u>(200)</u>	<u>-</u>	<u>(21,372)</u>
Total	<u>\$ 200</u>	<u>\$ (200)</u>	<u>\$ -</u>	<u>\$ -</u>

Beulah Public Library
Notes to Financial Statements
June 30, 2006

Note 5 - Risk Management

The Library pays an annual premium to Municipal Underwriters of Michigan for their portion of the Village's policy for property damage and liability coverage. The Library also carries worker's compensation insurance through Michigan Millers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 6 – Commitments & Subsequent Events

At year-end, the Library was in the process of planning and designing a new building. In May of 2007, new construction was completed and the Library began operating in its new location.

REQUIRED SUPPLEMENTARY INFORMATION

Beulah Public Library
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2006

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
Beginning Fund Balance	\$ 85,829	\$ 85,829	\$ 85,829	\$ -
Revenues				
Property Tax	20,500	20,500	18,068	(2,432)
State Aid	625	625	290	(335)
Local Unit Contributions				
County Penal Fines	22,000	22,000	24,619	2,619
Townships	4,000	4,000	6,000	2,000
Book Fines	900	900	1,252	352
Interest Earned	2,000	2,000	2,495	495
Contributions - GTB Grant	-	-	50,000	50,000
Gifts & Memorials	500	500	245	(255)
Miscellaneous	-	-	52	52
<i>Amount available</i>	136,354	136,354	188,850	52,496
Expenditures				
Wages & Taxes	25,500	25,500	25,997	(497)
Supplies	1,000	1,000	892	108
Books & Magazines	12,000	12,000	11,607	393
Dues & Miscellaneous	315	315	900	(585)
Computer Services	2,500	2,500	1,976	524
Accounting	50	50	200	(150)
Education	-	-	100	(100)
Insurance	715	715	736	(21)
Postage	350	350	70	280
Telephone & Internet	850	850	957	(107)
Heat & Maintenance	1,500	1,500	1,216	284
Bank Charges	40	40	10	30
Capital Outlay	-	-	-	-
Project Expenses	118	118	66	52
Contingency	5,587	5,587	-	5,587
<i>Total Expenditures</i>	50,525	50,525	44,727	5,798
Ending Fund Balance	<u>\$ 85,829</u>	<u>\$ 85,829</u>	<u>\$ 144,123</u>	<u>\$ 58,294</u>

See Accompanying Notes to Financial Statements

OTHER INFORMATION (unaudited)

Beulah Public Library

Comments and Recommendations

In planning and performing our audit of the financial statements of Beulah Public Library, for the year ended June 30, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Accounting Records & Financial Reports

We noted some financial reports do not match the income and expense items from the Library's accounting program. The grant from the Grand Traverse Band of Ottawa and Chippewa was not recorded as revenue. Additionally, the accounting records were partially maintained on two separate computers. Consequently, a significant amount of time was required to assemble and disseminate the information from both systems. We recommend greater care be taken, on a monthly basis, to ensure financial data and reports are reconciled and accurately reported to the board.

We were unable to review or find evidence of monthly bank reconciliation preparation. Additional time was required to determine reconciling items from the bank statement to the Treasurer's balances. Bank reconciliations must be prepared monthly to ensure accurate financial reporting.

We also recommend that triplicate receipt and bank deposit tickets be prepared and retained to provide proper documentation for all monies received.

Beulah Public Library

Comments and Recommendations

Segregation of Duties

We recognize the Library operates with limited personnel. The librarians, Director and Treasurer perform many duties normally performed by multiple individuals. In many cases, the lack personnel available to segregate duties could be considered a significant deficiency in internal control. However, we believe the Library has implemented sufficient compensating controls to reduce the risk of material misstatement of financial data to a low level.

As a matter of course, we recommend the Director and board review the State's *Financial Management Guide* for libraries at the website noted below.

http://www.michigan.gov/hal/0,1607,7-160-18835_18894-69217--,00.html

We also noted other matters we do not consider significant deficiencies that we wish to bring to your attention.

Budgeting Procedures

Board minutes did not reflect approval of the 2005/2006 annual budget. We recommend the resolution adopting the budget indicate the level at which the budget is adopted. The board minutes should also reference the total budgeted revenues and expenditures. Additionally, we noted several line items in the year-end Treasurer's financial report were over budget. Proper budgeting and amendment procedures would alleviate non-compliance with the budgeting act. We recommend reviewing and implementing procedures discussed in the *Financial Management Guide* noted above and in the State's *Uniform Budgeting Manual* available at the link below.

http://www.michigan.gov/treasury/0,1607,7-121-1751_2194---,00.html

Investment Policy

P.A. Act 196 of 1997 requires local units to adopt an investment policy and provide a copy of this policy to all financial institutions used by the unit. The Library Board has not adopted an investment policy.

Chart of Accounts

We noted the accounting system is set up without account numbers. State regulations require the adoption of its uniform chart of accounts. The chart is available at the Treasury website noted above.

Invoice/Payment Documentation

We noted numerous instances of vendor payments based on vendor statements. Vendor payments should not be made without proper approval and documentation such as original invoices. We recommend attaching original invoices to check stubs for all vendor payments.

Other Matters

The general fixed asset inventory of the Library has not been updated since 1988. We recommend the inventory listing be updated yearly. The listing need only include equipment and furniture and other large assets of the Library. Most units adopt a capitalization policy indicating only items over a set dollar amount, such as \$500 or \$1,000 will be considered a capital asset. Any item below the capitalization limit will be an expenditure when purchased.

Beulah Public Library
Comments and Recommendations

Closing Comments

We are happy to discuss any of these recommendations and assist in their implementation. This report is intended solely for the information and use of the Beulah Public Library, and others within the organization. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement. Should any questions arise regarding these statements or the conduct of our audit, please call us at your convenience.